



## **Third Quarter 2023 Earnings Call Transcript**

### **Tejal Engman, Investor Relations:**

Good afternoon and welcome to DoubleVerify's third quarter 2023 earnings conference call. With us today are Mark Zagorski, CEO, and Nicola Allais, CFO. Today's press release and this call may contain forward-looking statements that are subject to inherent risks, uncertainties, and changes, and reflect our current expectations and information currently available to us, and our actual results could differ materially. For more information, please refer to the risk factors in our recent SEC filings, including our Form 10-Q and our annual report or Form 10-K.

In addition, our discussion today will include references to certain supplemental non-GAAP financial measures and should be considered in addition to, and not as a substitute for, our GAAP results. Reconciliations to the most comparable GAAP measures are available in today's earnings press release, which is available on our investor relations website at [ir.doubleverify.com](http://ir.doubleverify.com). Also, during the call today, we'll be referring to the slide deck posted on our website. With that, I'll turn it over to Mark.

### **Mark Zagorski, CEO:**

Thanks, Tejal, and thank you all for joining us today. Before we dig into our exceptional progress last quarter, I would like to acknowledge the recent horrific terrorist attacks in Israel and the heartbreaking humanitarian crisis that now impacts millions of people in the region. DV has an incredibly talented team in Tel Aviv that has been remarkably strong and resilient during this undoubtedly challenging time. We continue to support them and all of our global teams affected by the conflict and are actively investing in humanitarian charities focused on helping those in need in the impacted area.

Now, turning to our results, we delivered an outstanding third quarter supported by a matrix of growth drivers across key digital media environments – social, programmatic, retail media, and CTV – and across all leading global markets, as our investments in industry leading solutions helped us create greater value for our existing clients and win a large roster of new clients. Our growth remains resilient, outpacing the market and our competitors and we are confident that this will continue to be the case in the quarters ahead as the macro stabilizes.

We drove 28% revenue growth and achieved 32% adjusted EBITDA margins in the third quarter, a marked acceleration from Q2 and above the top end of our guidance. Today, we are raising the midpoint of our full-year 2023 guidance range to reflect revenue growth of 27%, which again meaningfully outpaces that of our competitors and the industry.

Our customer wins and expansion momentum continues to accelerate. In the third quarter, we won several large, new enterprise logos including Ulta Beauty, General Motors, Total Energie, NFL, Rolex, Miele, Meijer Retail Media, P&G Turkey, Mizkan, Saudi Coffee Company and Rak Bank. We also significantly expanded our business with current clients, including Uber and Lexus, who implemented ABS abroad and in the US respectively, Santander who activated DV Authentic Attention in Brazil and Mondelez, Colgate and Pfizer, who expanded their use of DV's social verification solutions across multiple geographies. Our year-to-date win rate across all opportunities remained above 80% with 67% of our third quarter wins being greenfield, which we

define as wins where the advertiser wasn't using third-party tools for the business that DV won. Winning business with new and existing advertisers fuels our successful "land and expand" strategy. We grew the total number of advertiser customers generating more than \$200,000 over the last 12 months to 272 in the third quarter, up 11% compared to last year.

The opportunity to land and expand through product upsell remains vast, as over half of our Top 700 customers use less than four of DV's seven core products, and that does not include Scibids. Our products span Activation and Measurement and are complementary, providing compounding benefits when used together, as realized by the fact that over half of our Top 50 customers use six or more of our seven core products.

DV continues to grow significantly faster than the industry and is gaining market share due to three core differentiators: our increasing **platform scale and market coverage**, our focus on market-defining **innovation**, and the deep level of **trust** that we have built with our customers as an unbiased, independent partner.

Beginning with our expanding coverage scale, we continue to grow the breadth of our measurement across key **social** platforms with a focus on short-form video. Today, we classify over 130% more content on social platforms than we did a year ago. In the third quarter, we launched viewability and invalid traffic measurement across YouTube Shorts inventory to help advertisers ensure that their ads are viewable and safe from fraud, thereby providing measurement across a greater volume of ad impressions on YouTube.

We also expanded TikTok brand safety and suitability measurement across the most important markets in Latin America and Europe, and plan to widen our TikTok APAC market coverage even further in the fourth quarter. By year-end, we expect to support brand safety and suitability in markets that cover 85% of global digital ad spend, ex-China and India.

This ongoing product development activity and international expansion investment bolstered DV's social revenue, which grew 56% year-over-year in Q3, up from a 32% growth rate in Q2. Short form video was a key driver of our third quarter social revenue growth as existing users of DV's social solutions leveraged DV's new short form video verification tools across global campaigns on Meta Reels, YouTube Shorts and TikTok.

We expect social to be an important driver of measurement growth over the near, medium and long term as we expand coverage across formats and geographies and enhance our product capabilities to include brand safety and suitability measurement. To that end, we are excited to announce that DoubleVerify is currently working with Meta to develop our brand suitability verification solution on Meta to verify and measure brand suitability on Facebook and Instagram Feeds and Reels. We plan to begin testing in Q4. With this planned expansion, DV's global advertisers will have transparency into adjacent content across Facebook and Instagram Feed and Reels, resulting in even greater clarity and confidence in their investments on these iconic platforms.

When we move our Meta solution to GA in 2024, a large part of the long-term growth opportunity is cross-selling DV's Meta measurement solution to existing DV customers who are not currently implementing our solutions on the channel. While Meta is the largest contributor to DV's social revenue, over 50% of our current social advertisers have yet to activate our measurement

solutions on Meta. Of this opportunity set of **hundreds of advertisers**, approximately 95% activate DV on YouTube, where we've had significantly greater brand safety and suitability coverage for a number of years. This customer cohort of DV users on YouTube also advertises on Meta and we believe that the value created by DV's brand safety and suitability reporting on feed and reels will spur their adoption of DV measurement on Meta.

In addition to social, we are continuing to scale across **retail media networks**, which generated 75% year-over-year revenue growth year-to-date, with revenue contribution across all three business lines. Our measurement tags are accepted on over 60 of the leading retail media networks and sites globally, including 14 of the top retail media platforms and over 45 major retailers.

Today, we are thrilled to announce we have expanded our measurement capabilities by being the first third-party verification solution for advertisers using Amazon custom audiences in Amazon's DSP. DV is the first third-party verification platform to offer brand suitability, viewability, attention, fraud and invalid traffic protection. Amazon custom audiences are custom-built segments that help brands reach and re-engage with shoppers most likely to take action.

Finally, we continued to expand our platform coverage via a new partnership with Instacart Ads. This solution will help advertisers verify their media spend and maximize their campaign performance across North America's leading grocery technology platform.

In **programmatic**, we continue to ensure that our advertiser customers have access to all of our pre-bid verification solutions anywhere they buy media by scaling our activation solutions across emerging demand-side platforms. In the quarter, we launched a new DSP integration with LoopMe and expanded pre-bid solutions on Zeta Global, DeepIntent, Basis, Comcast-Beeswax and Criteo's Commerce Max DSPs, widening the distribution of our industry-leading Activation solutions.

Our scale in **CTV** continues to grow faster than the industry, where DV covers the platforms that receive nearly all CTV ad spend. DV's industry-leading solutions span all aspects of CTV ad buying from pre-bid avoidance to post-bid blocking and monitoring, and have spurred CTV measurement volume growth of 29% in the third quarter, doubling the 14% sector growth estimated by Magna Global. A great example of the value of DV's video verification tools to advertisers was demonstrated in our recent study which revealed that the big six leading media agencies leveraged DV's MRC accredited Video Filtering solution to prevent their advertisers from paying approximately \$75 million for non-authentic impressions since the beginning of 2022, thus enabling re-allocation of spend to higher value spots. DV solutions not only protect ad spend, but help it perform as well. We expect measurement and verification on CTV to continue to increase with platforms such as Disney+ where DV is helping advertisers reach audiences effectively and at scale.

And finally, our international business expansion delivered 62% measurement revenue growth in the third quarter with 75% revenue growth in EMEA and 46% revenue growth in APAC. Since the beginning of 2021, we've more than doubled our international sales, marketing and client services headcount, including appointing new country leaders to cultivate local business and remain very excited about our growth prospects outside of North America in the years to come.

Turning to our **innovation leadership**, I'd like to focus on recent developments with three of our market-defining products: Authentic Attention, Scibids AI and Brand Suitability, which is a key differentiator for DV on programmatic as well as on social.

Beginning with Authentic Attention, our MRC accredited engagement and exposure measurement solution, we've measured nearly 26 billion attention impressions year-to-date and are now beginning to see momentum in advertiser adoption with a 57% sequential increase in the number of advertisers who activated DV Authentic Attention in Q3. As our biggest competitors do not have a scaled, viable attention solution, Authentic Attention is increasingly playing a role in our global client win ratio – meaning the product impact on DV growth goes well beyond its direct revenue contribution.

We continued to lead in connecting our verification solutions to outcomes by partnering with Attain, a leading data platform that analyzes consumer purchase data in real time. Our pioneering solution will enable advertisers to directly connect DV attention data to real-time sales, providing an in-depth look at consumers' path from engagement and exposure to purchase. The Attain partnership, along with the recently launched ability to use DV's attention measurement data in Scibids AI through the DV Algorithmic Optimizer and our premier partnership with TVision to expand Attention metrics to CTV, are examples of the groundbreaking work we are doing to action and expand the use of attention measurement data, which we believe will be core to the future of digital ad verification and performance as cookies become challenged.

Now, let's dive into another recent innovation investment, Scibids AI. We acquired the business on August 14<sup>th</sup> and are now in the process of integrating our organizations, systems and processes. There is meaningful customer interest in the DV-Scibids AI powered optimization platform, which clearly differentiates DV's value proposition to enterprise brands as well as to more DR focused, mid-market advertisers. The Scibids team continues to close new business based on driving tangible outcomes and ROI improvement, most recently exemplified by DV-Scibids client Iceland Air, who realized a 70% decrease in cost per flight booking and an ROI of 10x relative to the benchmark, after using Scibids AI. Additionally, the SciBids AI solution has already provided an edge in several enterprise verification RFPs and as we expand its global footprint, this competitive advantage will only grow.

DV's innovations advancing our brand suitability solutions continue to be a market differentiator. We recently launched an industry-first made-for-advertising or MFA solution, in September to enable our advertisers to avoid MFA content, which has exploded since the launch of easily-accessible generative AI tools. DV's proprietary MFA solution, is the only solution in market today which can be enabled directly by a customer in their brand safety and suitability profile for measurement and in ABS for pre-bid avoidance. It has already been adopted by some of our largest CPG and retail advertisers, with interest from many more.

And, speaking of ABS, it remains one of DV's most successful innovations, and a great example of how our competitive differentiators continue to deliver dividends. Last quarter we grew ABS revenue by 40% year-over-year, largely driven by existing users expanding their use of the product to more lines of business across more geographies. Even though ABS has been in the market for five years, we expect expanded usage by existing ABS-users to continue to drive strong ABS growth going forward. In addition, we continue to drive first-time activations of the product from new customers as well as existing customers. We grew ABS penetration among our

Top 500 customers by approximately 10 percentage points year-over-year and we have significant room for growth given nearly 40% of our Top 500 advertisers have yet to activate the product.

Sticking with the theme of innovation and brand suitability, I'd like to underscore that DV's advanced brand suitability products act as key differentiators across our social platform implementations. DV has the most comprehensive set of suitability categories and provides advertisers the greatest granularity and customization. The robust policy-based classification engine that makes ABS so successful is what powers our suitability solutions on social. Brand suitability drives DV's programmatic leadership and will establish us as the break-away leader in Social for three key reasons:

1. One, DV has the most number of categories beyond the 12 categories covered by the GARM floor guidelines. DV is unique in that we provide nearly 50 safety and suitability categories on some social platforms, enabling advertisers to avoid critical categories such as made-for-kids and gambling content and to create custom suitability categories and unique video exclusion lists.
2. Two, DV is the first and only verification provider to offer pre-campaign suitability solutions that complement post-campaign measurement on social to drive learning, optimization and better outcomes for advertisers.
3. And three, DV provides the most advanced AI-based video classification technology in the industry, with the highest accuracy rate and a superior ability to use objects, logos and action detection to analyze and classify videos based on context and sentiment.

I would like to conclude my comments, as always, on the differentiated pillar of **trust**. DV is unique in upholding its core value of providing unbiased, objective, third-party measurement that is independent of the media transaction. Trust, along with successful innovation, helps us win new clients, and it's also the glue that makes our client relationships sticky, keeping churn in check. Our gross revenue retention rate has consistently remained above 95%, and it did so again in the third quarter. Customer trust is also rooted in platform stability, data privacy and security – all areas in which we are clear leaders. DV sets itself apart in having achieved ISO 27001, Soc 2 Type II, Neutronian certifications, as well as APEC CBPR and APEC PRP, and EU, UK and Swiss Data Privacy Framework registrations, among its many other privacy and security audits and certifications.

To summarize, DV continues to win because of our market leading coverage scale, product innovation that creates differentiation and client value and a deep level of trust and security that is woven into the fabric of our platforms and our ecosystem relationships. We are pleased with the progress we've made year-to-date and remain focused on growing and realizing our solid pipeline of new and expansionary deals that will further drive our market share and create an even stronger long-term growth trajectory. With that, let me hand the call over to Nicola.

**Nicola Allais, CFO:**

Thank you, Mark and good afternoon, everyone. We delivered strong revenue growth, profitability and cash flow from operations in the third quarter. We outperformed our revenue growth expectations primarily due to greater worldwide adoption of DV's recently-expanded social measurement solutions, which now cover all key short-form video platforms, including Meta

Reels, YouTube Shorts and TikTok, across a growing number of geographies. Additionally, a few large clients that were using DV solutions on MediaMath in the second quarter, transitioned to other programmatic DSPs earlier than expected, further benefiting revenue growth in Q3.

As a result, we delivered total revenue of \$144 million in the third quarter, representing 28% growth year over year, up from 22% revenue growth in Q2, and above the top-end of our guidance range. We achieved 26% revenue growth year-to-date and are raising our 2023 revenue guidance to represent 27% year over year growth at the midpoint.

Total revenue growth in Q3 was driven by 32% growth in Advertiser revenue, which comprises Activation and Measurement revenue. Volumes or MTMs grew 27%, while fixed fees or MTFs increased by 2%, year over year, excluding revenue contribution from Scibids, which performed broadly in-line with expectations. MTM growth continues to significantly outpace global digital advertising ad spend growth (ex-search) of 8% in 2023, as forecasted by Magna Global. MTF growth in Q3 was primarily driven by improved premium product mix, followed by the impact of the ABS price bifurcation which was implemented this year.

Activation growth continued to be led by ABS, our premium-priced programmatic product, which delivered a 40% year-over-year revenue increase in Q3. Demand for this market-leading solution remained solid with ABS volumes up 32% year-over-year. MTF for ABS grew 6% year-over-year as we completed the roll out of the display and video price bifurcation across all major DSPs in the third quarter. Approximately two-thirds of ABS's year-over-year revenue growth came from existing ABS users expanding their usage to more brands and to more markets, while a third of the growth came from new advertisers activating the solution. In addition, revenue growth from our Core Programmatic solutions accelerated from Q2 to Q3. And as I mentioned earlier, Scibids performed in-line with our expectations.

Turning to Measurement, revenue grew 32% driven by social revenue growth of 56%. Social comprised 45% of our total measurement revenue, with TikTok's third quarter revenue contributing nearly double the revenue generated in all of 2022. Non-social measurement revenue growth accelerated on sequential basis as the new customers we signed in the second quarter ramped business in Q3. International measurement revenue grew 62% driven by existing customer expansion across both Social and Non-Social measurement and comprised 29% of measurement revenue in Q3 23 as compared to 23% in Q3 22.

On Supply-Side, which represented 8% of total Q3 23 revenue, platform revenue declined due to industry consolidation. Specifically, two existing supply-side platform clients merged and consolidated their contracts with DV, while a third platform was acquired.

Moving to expenses, cost of revenue increased 37% primarily driven by an increase in revenue share costs with programmatic partners, as activation revenue grew to nearly 57% of total revenue in the third quarter from 55% a year ago. We delivered 82% revenue less cost of sales in Q3, up from 80% in the first half of the year as we eliminated some duplicative data center costs. Going forward, we expect revenue less cost of sales to range between 80% to 82% as we balance data center cost savings with continued investments in cloud optimization and in scaling our infrastructure.

Total non-GAAP operating expenses, which exclude stock-based compensation and other items for comparability, grew 22%, compared to 28% revenue growth, reflecting the efficiency of our operating model as we scale. Non-GAAP product development costs grew 29% due to our ongoing investments in AI and machine learning resources, while non-GAAP sales, marketing and customer support grew 23% and G&A expenses grew 12% year-over-year.

We achieved third quarter adjusted EBITDA of \$46 million and adjusted EBITDA margins of 32% and generated \$13 million of net income which was up nearly 30% year-over-year.

In the first nine months of 2023, we delivered net cash from operations of approximately \$68 million compared to approximately \$58 million in the same period in the prior year. Capital expenditure was \$12 million compared to approximately \$28 million in the first nine months of 2022, which included the expansion of our global headquarters. We ended the third quarter with approximately \$259 million of cash on hand, after using \$67 million of cash consideration to acquire Scibids. DoubleVerify continues to have significant capacity for investment with available cash on hand and zero long-term debt, an important advantage in the current 'higher-for-longer' interest rate environment.

Now turning to guidance, we expect fourth quarter revenue in the range of \$170 to \$174 million, which implies **industry-leading** year-over-year growth of 29% at the midpoint and 19% growth on a sequential basis, which is similar to what we delivered last year. We expect Activation, Measurement and Supply-Side to deliver similar year-over-year percentage changes in Q4 as they did in Q3.

We expect fourth quarter adjusted EBITDA in the range of \$57 to \$61 million, which represents an adjusted EBITDA margin of 34% at the midpoint. For the fourth quarter, we expect stock-based compensation to range between \$16 and \$18 million and weighted-average diluted shares outstanding to range between 174 and 176 million shares.

We are raising full-year revenue guidance to range from \$570 to \$574 million, which implies year-over-year growth of 27% at the midpoint, as compared to 25% growth in our prior guidance. We are also raising full-year adjusted EBITDA guidance to range from \$179 to \$183 million, which represents an adjusted EBITDA margin of 32% at the midpoint as compared to 31% in our prior guidance.

While we are not providing 2024 guidance today, we expect revenue growth next year to be driven by the continued success of the same core products and markets that have driven our growth to date in 2023. And we expect quarterly share of full year 2024 revenue to follow a pattern similar to prior years, with Q1 24 representing slightly less than 21% of full year 2024 revenue.

To close, we delivered strong third quarter and year-to-date revenue growth and profitability, and have made great progress across our business so far this year. We are excited to build on this work this quarter and in 2024 and invest in areas that we expect will drive continued industry-leading growth for DV.

#### **Question And Answer Section:**

**Matt Swanson, RBC Capital Markets**

Thank you so much for taking my questions, and congratulations on the quarter. Mark, if I could double-click on some of the comments you were making around coverage and think about how you're investing in the land-versus-expand motion. Obviously, lands continue to be really impressive, especially the 67% greenfield in this macro. But on the expand side, it sounds like you had some good expansions and existing customers bringing you into new international markets. And then also some of the commentary we talked about before between Facebook and YouTube, how do you focus on either expanding deeper by geo with customers or deeper from a format perspective?

**Mark Zagorski, CEO:**

Thanks for the question, Matt. I think every customer opportunity is one in which we look to do both of those things that you noted, which is drive international pickup of our core products, but also get them to buy into additional solutions. And I think, it really depends. It depends how they come into us. Some of them come with an international broad but not deep perspective, where we want to take a couple of solutions across multiple markets. And some come with a deep, not broad perspective, where they may work with us in one or two markets but drive the use of multiple different products across those markets, so it really depends.

The nice part is, as we noted, we've got options, right? And I started the call with talking about the matrix of growth drivers. And I think that's the one really unique thing about DV versus anybody else in the ad tech space, which is, we have open internet. We've got social. We've got programmatic. We've got the ability to look at geos for growth. We've got new client growth. I mean, all of these things give us a lot of different levers to pull if one area looks soft, one geography looks soft, or one platform isn't performing. And I think that's the real takeaway for us, which is having optionality with a large basket of goods in many markets and covering many platforms puts us in a really unique position.

**Matt Swanson, RBC Capital Markets**

And then if I could maybe follow up on one of your newer levers through Scibids. I know when the acquisition happened, we talked about this being able to expand into direct response and deliver against those core KPIs. That Icelandair, for example, was great. But I guess, in terms of what you're hearing from conversations, acknowledging it's early, how is Scibids being used maybe compared to your expectations?

**Mark Zagorski, CEO:**

It's a great perspective you bring, which is, this opens up a whole level of kind of performance-type advertisers who may have not been as focused on the brand attributes of our solutions, right? Brand suitability may not be as important as just driving a sale. And since Scibids is super KPI-driven, they optimize against outputs using different data levers. It has opened up many of those advertisers to us, many who don't work with us today, and we started having dialogue with, and even some of those who may work with lighter or more competitive solutions who are looking for a way to optimize against different data sets.



So it has opened up new dialogue with lots of folks. I think we're going to start to see the real benefits of cross-selling as we go into 2024. We've already started putting teams together. We've put two of our sales team into theirs. So I think we're just starting to see the beginning of cross-sell. And one of the things I noted in the earnings call was that it's becoming a differentiated lever for us as well. When you take that and attention in our basket of goods when we're pitching enterprise clients, the number of things that we have on that scale between us and our competitors, starts tipping that scale and Scibids is just one more arrow in that quiver.

**Justin Patterson, KeyBanc**

Thank you, and good afternoon. Two if I can. Mark, just want to try a big picture one on short-form video. Obviously, there's a lot of engagement there and user-generated content, certainly works well with brand safety. So curious how you're thinking about the opportunity there as we head into next year and you benefit from just having more exposure with more of these different providers.

And then for Nicola, would love to hear you just talk about the financial framework. I know you're likely not guiding to 2024 here, but as we think about Scibids coming into the business, just operating toward that 30% margin framework, is that how we should still be thinking about the business? Thank you.

**Mark Zagorski, CEO:**

When we look at short-form video, we couldn't be more excited about the opportunity there. It's a big driver of our social growth. As we get geared up to get on the news feed of Meta, arguably the largest growth driver in social is short-form video and whether that's YouTube shorts or reels or TikTok, they're all firing on all cylinders. When we look at TikTok's Q3 revenues, they were nearly 2x what they were at the same period last year for Q3, so that business is booming and growing at a nice pace. We don't even have brand safety and suitability live yet on Reels, so that's upcoming, which can be a growth driver. We're just seeing the volumes continue to increase across all of those.

So 56% growth across social, which was pretty extraordinary. It's an acceleration for us and I think that is being driven in large part due to short-form video. So we like it, it's something that we do really well. Our tools lend themselves to that. Some of the work we've done on classification around brand suitability of video and AI tools that we're using to classify that content are just nailing it, and the advertisers like what we've been able to deliver. And dollars are going there, and we're taking advantage of it.

**Nicola Allais, CFO:**

And Justin, on your question for the financial framework, what we've always said is that we look to balance growth with profitability. The growth that we've achieved is strong, industry-leading, and we're guiding to a 29% growth in the fourth quarter. And there are many ongoing investments that we are going to continue to do, that we believe will help us continue to achieve that industry-leading revenue growth. And there will be infrastructure, AI, and machine learning, all the drivers that we've discussed at Innovation Day and prior calls.

Scibids is an additional investment, as we try to figure out the proposition of combining Scibids with our current product offering. So those are the reasons why I think we would expect to continue to invest into that level of framework. But again, it does achieve industry-leading revenue growth and gain market share for us.

**Mark Kelley, Stifel**

Thank you very much. Two quick ones. Just more macro related. I guess, we're kind of picking up that maybe people will have a little bit more visibility into '24 budgets earlier and maybe actually get it before 2023 is over versus last year. I don't know if that's something that you're seeing, would love to get your thoughts there. And then just a quick housekeeping one. Any way to quantify the MediaMath impact that you saw in Q3? That would be helpful. Thank you.

**Mark Zagorski, CEO:**

On the macro, we've talked about this story previously, where we came into 2023 with really a big question mark of what the year was going to look like. The end of last year kind of sputtered out and that perspective beginning of this year was not great. I mean, that has improved throughout the year, to a point where I think we've said things have stabilized. And we noted in the script that we see a pretty stable rest of the year ahead of us. And I think we have not had the privilege of having big ad growth tailwinds, yet we continue to grow at pretty extraordinary rates as far as we're concerned.

I think we're going to have a good Q4. We're guiding to a solid Q4. I think we feel a lot more confident at the end of this year than we did probably at the same time last year. We don't have a crystal ball about 2024, but I can say as we look today toward the end of this year, we feel definitely better now than we did at the same time last year.

**Nicola Allais, CFO:**

And on the MediaMath question, the impact is small. MediaMath was not one of our major platforms, but it did have a few large clients on it. We had to caution around how long it would take for those customers to switch to another platform. And as we kind of expected, but we're planning to just be a little bit cautious. It didn't take long for them to start using another platform and continue to use the DV services, but the overall impact of that was small.

**Brian Fitzgerald, Wells Fargo**

Thanks, guys. Congrats on the quarter again. I want to ask for a view on the underlying health of the programmatic advertising market right now. We're seeing some mixed signals from some other companies, but we imagine you have a pretty holistic view across your clients as they may be moving spend across DSPs and SSPs, so could you talk a little bit about that? And maybe a little bit about some of the convergences between what used to be siloed on and off ramps or both on ramps, but now we're getting stitched together complete solutions.

**Mark Zagorski, CEO:**

Thanks, Brian. I think we like to take a pretty broad perspective both on programmatic but even broader on our opportunity. We work with over a dozen DSPs, lots of regional DSPs. So we don't have a heavy concentration in one platform or another, and if dollars move from DSP to DSP, again, we're agnostic. But more importantly, when we look at the programmatic sector, I think I have to go back to that kind of matrix of growth--two key things. One, the matrix of growth drivers that we have. We're on the open internet. We're in social. We're in CTV.

If dollars move from open internet to social, that's fine because we're working with Meta. We're working with YouTube. We're working with Snap and Pinterest and all the major social platforms. So we are, not to say totally insulated from dollar of movement, but our footprint and that broad footprint gives us a really good opportunity to ride the wave of dollars moving from one place to the other. That's number one.

I think the second thing to consider is the fact that a lot of the programmatic players out there are working off of rev share or a percentage of media. So if you start seeing softness on CPMs in one sector or another, it's going to hurt you, right? And we are a fixed fee volume-based model, so as long as volumes continue to stay pretty steady and we can continue to expand business on a programmatic platform, we're going to do okay. I think, obviously, the biggest driver of our insulation against some of that programmatic fluctuation is the fact that programmatic is not our only channel. And if dollars move around, we're insulated. And the second is the fact that our business model doesn't feel that pain when CPMs go down because we're not taking a rev share.

**Dean, Stephens**

Hey, guys. This is Dean on for Nick. Thanks for taking our questions. Going into next year, how are you thinking about overall CTV volumes and maybe the influence from your measurement partners growing their ad-supported tiers? And the second question, is there any window for you to potentially attract net new advertisers who are buying against that CTV inventory that you're measuring? Thanks.

**Mark Zagorski, CEO:**

CTV is an interesting segment for us. It continues to grow at a really nice clip, still relatively small versus all the other type of platforms that we cover, mainly due to the fact that the ad load there is pretty light, right? If you look at the CPMs, they're very high, but the ad loads are very low. And based on the model that we have, which is based on volumes, we get considerably more bang for the buck from things like short-form video, social, even open internet buys. So CTV exposure is a nice opportunity for us to grow because a lot of those dollars are coming from linear where we have no opportunity, but it's still relatively small in our overall picture.

That being said, we do work with the top 10 ad-supported platforms out there. And as you noted, folks like Disney+, which I think added five million ad-supported subscribers, they announced yesterday. Netflix added a couple of million more. I mean, they're continuing to grow. That's all good. It's all gravy for us, and we think that as the ad-supported CTV business grows, the number

of impressions will grow there as well, and it will become a stronger driver of our business over time. So definitely opportunities there.

I think with regard to getting new advertisers based on our CTV coverage, I don't think it's a real growth driver for us. The bigger growth driver is our current 1,000 of the biggest brands in the world working with us and just also turning us on in CTV. So generally, if we're going to work with an enterprise client and if they're advertising on CTV, they're almost always advertising also on Facebook or advertising in programmatic or some other channel as well. I don't think it's a unique opportunity for us to get new advertisers. It's just another channel that gives us more to measure.

**Mark Murphy, J.P. Morgan**

Thank you, and I'll add my congrats. Mark, can you try to quantify the tailwind you're seeing out of gen AI, just from the standpoint that it's creating a large amount of content that might result in more fraud or might be more clickbait-y content, there might be more disinformation out there, and as a consequence, start to kind of push more business your way? I know you alluded to it a bit in the prepared remarks, but I'm just wondering how material that might be becoming? And then I have a quick follow-up.

**Mark Zagorski, CEO:**

Mark, you make a really great observation, which is the level of content and the acceleration in questionable content has never been higher. We see a lot of generative AI-based content, which very often gets flagged as something we call MFA, or made for advertising content, which obviously creates an incentive for advertisers to work with us. We launched an MFA tool, which adds an attachment to ABS, which is obviously a pre-bid brand suitability tool for us, that allows advertisers to both filter out MFA and then measure afterwards if their ads have ended up on MFA.

It is certainly a driver of volume because as we're measuring more stuff that's going to places that isn't great, it gives us more impressions. But it also, it just helps us justify that story that you need to be watching what you're doing. So clients maybe who--even our performance clients that have been sitting on the fence and saying, hey, brand suitability doesn't really matter to me, but if MFA content is out there and it's AI-generated and doesn't really work and is redundant, I don't want to be there. So it does open up some new advertiser opportunities. It has driven some volume a bit.

As far as quantifying it, I think it's too early to do that, Mark. We haven't really looked at that yet. It may be something we look at going ahead. But we know that our MFA tool have been picked up by some of our largest CPG customers and a couple of retailers as well. And those are folks, particularly on the retail side, that are looking at ROI, and they want to be in the right places to drive that. So, no, it's a long answer to I can't quantify it for you today, but it's definitely, we're seeing pickup of the tool. We're seeing volumes being driven by it and I think it's still in the first round of advertisers being concerned about this stuff.

**Mark Murphy, J.P. Morgan**

Yeah. That's great. It seems like another driver in the early stages for you. And then, Nicola, I wanted to ask on Scibids, we understand it closed very late in the quarter. I'm assuming the contribution, therefore, was de minimis. Can you confirm? We're estimating it was something like sub-\$1 million in revenue for Q3. Are we in the right zone there?

**Nicola Allais, CFO:**

Yeah. I would think it was definitely de minimis.

**Raimo Lenschow, Barclays**

Hey. Thanks. Congrats from me as well. Just quickly, Mark, there's so much innovation coming out of you, and I see you're still having a lot of greenfield wins out there. What are you seeing on those customers that are just not with you yet or not having kind of picked the proper solution? I would almost assume with kind of so much more social out there, so many newer platforms, so many more threats, that there should be a change in behavior of kind of doing more. What are your conversations like? Thank you.

**Mark Zagorski, CEO:**

You make a good point, Raimo, which is the customers that aren't working with us, in many cases, the way we attract them is through this broader basket of goods, right? And the bigger that basket of goods is, the more hooks we have to bring them in. And when we talk about greenfield wins, those are for customers that haven't used the products that we've sold through to them. So some of those may be current clients that just don't use that solution, so it's totally brand new, and some of them may be absolutely brand-new customers we don't do anything with.

The thing that's common between both is that ensuring that we have lots of innovation and a big basket of goods draws them into us, where we can do that land and expand. A great example is the MFA solution, which I just mentioned, which we just launched, which has started to attract some folks, Scibids, which performance-based advertisers are getting interested in. Attention pulls folks in. The more touch points that we can have to bring in a greenfield customer and then expand with them over time, I think, is essential.

We use that stat a lot of time, more than 50% of our customers use less than four of our key products, our core products, right? That means we've got a lot of expansion to do with current customers to sell in those additional solutions. And we know that once we hook somebody, whether we hook them through Attention or we hook them through a Scibids relationship or hook them through an MFA solution, we have the ability to continue to upsell them more things over time. And when we look at, for example, our top 50 clients, more than 50% of them use six or more products.

So we know we can upsell these customers and we can make them bigger over time. And having that basket of goods is key, and that's why we talk so much about innovation, right? Our core does great, and we continue to grow off it, but the more touch points we have, the more little

solutions we can bring in there, that brings them in. They no longer become greenfield customers, they become enterprise customers, and we upsell them over time.

**Michael Graham, Canaccord Genuity**

Hi, and thank you. Related question, I just wanted to get your latest thoughts on the competitive landscape. You all had a great quarter, and it seemed like some other players in the market segment did as well. And I'm just wondering, you referenced a great 80% win rate in your slide deck. Are you seeing any changes to the competitive landscape? And when it does get down to selection, just maybe talk about the relative importance of product breadth versus maybe pricing as a potential differentiator, just would love to get your thoughts on how all that's evolving.

**Mark Zagorski, CEO:**

Thanks, Michael. I think it's a great perspective, which is, we still are in a relatively competitive market. But when you look at some of our peers there, we are growing faster on every line item that matters on a much bigger base, which means that we're beating them on the product front. We're taking market share. We're doing it at a very profitable clip. So, the last thing I just said there is really relevant with regard to, is pricing playing a big role here, or is it product?

And I have to say, we're winning deals based on product, right? We've been able to keep MTF relatively stable, and that's our goal, to do that. And I think, in some cases, sure, is it a head-to-head where we've got to get aggressive, of course, but we feel that continued investment in innovation is essential. And when we win those deals because we have this broader basket of goods, because we've got solutions that others in the field don't have, that's our driver. That's what we're looking to do, and I think a majority of the deals that we win are because of that, because anyone can just get into a price war but over time, the advertisers want to be with somebody who has the best solution that's driving the best outcomes and has the most flexibility to grow with them in the future.

So I think that's where we still lean. We're still winning. We're still growing share. We're investing more in R&D than our competitors, and I think we see that being as a key advantage moving forward.

**Arjun Bhatia, William Blair**

Yep, perfect. Thank you. Mark, maybe one for you to start. You said you're expecting to start testing with Meta in the News Feed in Q4. Can you just walk us through what that process might entail, what you expect to learn during the testing period and what the timeline to GA might look like?

**Mark Zagorski, CEO:**

We're knee-deep in that process right now. Development is going well and according to pace, so there's a very small group of partners that Meta has decided to work with, and we're all on par working through the same phases together. We are looking at an early 2024 launch into GA, and

I think we've noted before, the scaling of that launch will really start with current customers that are using us to measure across the News Feed, then we'll expand to current customers that aren't using us, for example, viewability and fraud on the News Feed, and then expand to customers that are totally brand-new. So, we've got these three levers of growth that we expect to start rolling out post GA, which will be early in 2024.

**Arjun Bhatia, William Blair**

All right. Got it. And then just when we're thinking about ABS and programmatic growth, I guess, how should we think about the pace at which ABS can continue to grow going forward? We did see a little bit of a step down, but it doesn't seem like you're anywhere near being penetrated within your existing base. So how do you think about the opportunity that's still left with ABS going forward?

**Mark Zagorski, CEO:**

The wonderful thing about ABS is not only its continued growth, but we look at two-thirds of that growth coming from current users, right? And that means that our customers love this thing so much that they move to a new market, they put more campaigns into it. And to me, that's a great indication of not only the product working really well, but that it's got continued legs. As long as those clients continue to grow and grow with us, we're going to do well there.

I think that when you look at the fact that we still have over a third of our top 500 customers who have not used ABS, that can turn it on, it shows that there's new client growth there. We've got current client growth to come out of it. And then we've got totally new folks coming into DV as well, so I think we've got strong growth drivers there. I mean, 40% growth year-over-year for a product that's over five years old, I think it's pretty extraordinary. And we've said, at some point, ABS, the legs will wear out but right now, they're still pretty fresh. We still got lots of customers coming in. We've got lots of core customer growth still getting out there and still some penetration to do within our current base, so we've got legs.

**Andrew Boone, JMP Securities**

Good afternoon, and thanks for taking my question. I wanted to ask two quick ones, or maybe not quick but simple ones. International growth accelerated. Can you just unpack that and let us know if anything is going on there, as well as how sustainable that is? And then a competitor talked about growth within the mid-market. What are you guys seeing there and what's the opportunity for the mid-market? Thanks so much.

**Mark Zagorski, CEO:**

Let me talk a little bit about--first of all, no questions are simple. I want to start with that. They're all complex if you dig in, so appreciate that, Andrew. On the international growth, we saw 75% growth across EMEA, 46% growth across APAC. So some variation there, but still strong growth across all the sectors that we have out there. If you look at what's driving growth in both of those regions outside the U.S., it's very similar to what we've seen in the U.S., which is social. Social is

driving growth. Short-form video is driving social. All those things together, we think, are helping continue to drive the expansion that we are seeing in EMEA and APAC.

Now, to be fair, we saw last year was not a great year internationally, so we've got slightly easier comps to deal with. However, if we remember, we talked about our pipeline last year in Q4 and how strong it looked outside the U.S. and how that started paying off. I think we have a similarly strong pipeline this year outside the U.S. And that was based on, if you remember, a while ago, we made some significant investments in sales and marketing resources outside of the U.S. They're paying off. I think they've finally hit their stride. We continue to invest in resources outside the U.S., and we just hired some new country managers in APAC.

And the nice part is too, we're starting to win local deals in markets. You heard some of them like Aramco and LVS and some of the local clients in some of these local markets, Saudi Coffee, right? These are local clients and I think that's a good sign because it's not just the Unilevers of the world or the Mondelez of the world spreading to these markets, we're closing local deals. So I think, to me, that shows the investments we made in those markets will have legs and that when we look at what's driving that growth, it's social and social and short-form show no signs of slowing down.

**Nicola Allais, CFO:**

If I can add one stat there. So international is 29% of measurement, which is still lags the percent of spend that's happening outside the U.S. This is the U.S., right? I think we're catching up to the opportunity with the investment that Mark mentioned we made a few years ago, so I think the upside is still there for us to catch.

**Mark Zagorski, CEO:**

And then on the second half of your question, kind of mid-market advertisers. I think we have a couple of plays there. And look, we are still focused on the enterprise, and we've got so much room to go on the top advertisers around the globe. We're still underpenetrated outside the U.S., still lots of folks we haven't talked to on the enterprise level. That is still our main driver of growth, but when you look at mid-market, I think there's opportunities there.

Scibids, as we've noted, works with some mid-market folks who are very DR focused and so I think that opens up an opportunity. Our work on the programmatic front always brings new dollars in from mid-market partners. If you think about 20% of our programmatic revenue comes from advertisers that we don't have a measurement relationship with, right? They're just a little bit too small. So we have channels to reach mid-market advertisers. We continue to grow there, but I think, ultimately, enterprise plays are still our biggest play and there's lots of room to grow there.

**Mark Zagorski, CEO:**

Thank you all for joining us on this busy evening. We are excited about DV's multitude of growth opportunities as we expand across digital media channels and geographies, launch and upsell innovative products, and win business across existing and new customers. We look forward to seeing many of you at upcoming conferences and events. Have a great evening everyone.